

KEEGAN WERLIN LLP

ATTORNEYS AT LAW
265 FRANKLIN STREET
BOSTON, MASSACHUSETTS 02110-3113

(617) 951-1400

TELECOPIERS:

(617) 951-1354

(617) 951-0586

December 8, 2005

VIA HAND DELIVERY

Luly Massaro, Commission Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket No. 3690, Distribution Adjustment Charge

Dear Ms. Massaro:

Enclosed herewith are the Company's responses to the Attorney General's First Set of Data Requests, issued on November 1, 2005. In addition, the Company has enclosed a response to COMM-RR-3, posed by the Commission at the hearing conducted on October 25, 2005.

Thank you for your attention to this matter. Please feel free to contact me should you have any questions relative to the information provided herein.

Sincerely,

Cheryl M. Kimball
R.I. Bar # 6458

Cc: Service List

**New England Gas Company
Docket No. 3690**

Record Request and Response

Requestor: Attorney General

Respondent: Peter Czekanski

Issue Date: October 5, 2005

Q. AG 1-01 Did the mercury in the Tidewater Site mercury spill come from old regulators and meters? If not, where did it come from?

A. AG 1-01 The Company renews its objection to this request because the answer is not germane to this proceeding.

The Attorney General has stated that the basis for this question is to ascertain whether costs recovered through the Environmental Response Cost ("ERC") factor include costs associated with the disposal of mercury at the Tidewater Site. As noted in response to COMM-RR-3, the Company has confirmed that costs recovered for the disposal of regulators, meters and associated mercury through the ERC relate only to the removal of equipment from customer premises and disposal of materials off-site of Company property. Therefore, because the scope of this proceeding is limited to the issue of whether the Company has correctly computed the earnings sharing calculation and other components of the Distribution Adjustment Charge (including the ERC), the answer to this question is irrelevant to this proceeding.

**New England Gas Company
Docket No. 3690**

Record Request and Response

Requestor: Attorney General

Respondent: Peter Czekanski

Issue Date: October 5, 2005

Q. AG 1-02 Is the Environmental Response Cost Factor intended to cover the costs associated with properly disposing of any hazardous materials associated with old regulators and meters, including any mercury associated with those devices.

A. AG 1-02 Yes.

**New England Gas Company
Docket No. 3690**

Record Request and Response

Requestor: Attorney General

Respondent: Peter Czekanski

Issue Date: October 5, 2005

Q. AG 1-03 If the mercury in the Tidewater Site spill did not come from old regulators and meters, was its disposal costs still considered to be included in the Environmental Response cost factor? If not, where was it covered?

A. AG 1-03 Please see the response to Data Request AG-1-1.

**New England Gas Company
Docket No. 3690**

Record Request and Response

Requestor: Attorney General

Respondent: Peter Czekanski

Issue Date: October 5, 2005

Q. AG 1-04 **Accepting, for the moment, the Company's assertion that "for accounting purposes, the Company has booked all expenses relating to the Tidewater Site mercury release incident below the line," to which accounts did its parent, Southern Union, assign Southern Union's costs associated with managing the Tidewater Site mercury spill¹ Which, if any, of those accounts are charged back in whole or in part to New England Gas Company? What portion of those costs if any, can be attributed to the Tidewater Site mercury spill?**

A. AG 1-04 On December 2, 2005, in response to Data Request DIV 2-8, the Company provided the listing of accounts to which costs were booked in relation to the Tidewater incident. As described in the answer, the costs associated with the "review and approval" process were charged to one of the Company's specially established "below the line" accounts. These accounts were recorded on the books of New England Gas Company. Southern Union did not charge these costs to its accounts and then "charge back" the amounts to New England Gas.

¹ For example, in the Company's response to Division Data Request 1-16, the Company notes that a Southern Union project manager and/or Southern Union legal counsel reviewed and approved all Company invoices associated with the Tidewater Site mercury spill. Did Southern Union charge the costs associated with the "review and approve" process to one of the Company's specially established "below the line" accounts, or did Southern Union charge them to one of its accounts which are then charged back against the Company?

**New England Gas Company
Docket No. 3690**

Record Request and Response

Requestor: Attorney General

Respondent: Peter Czekanski

Issue Date: October 5, 2005

Q. AG 1-05 Please provide supporting documentation for questions 1 through 3, above.

A. AG 1-05 As noted in testimony at the October 25, 2005 hearing, accounting records associated with the expenses incurred by the Company for environmental remediation, and recovered through the ERC, are available to the Division and the Commission for review at the Company's offices.

**New England Gas Company
Docket No. 3690**

Record Request and Response

Requestor: Attorney General

Respondent: Peter Czekanski

Issue Date: October 5, 2005

-
- Q. AG 1-06** Please provide documentation to support the assertion that “for accounting purposes, the Company has booked all expenses relating to the mercury release incident below the line” so that statement can be independently verified.
- A. AG 1-06** Independent verification of the exclusion of costs from the FY2004 earnings-sharing component of the proposed Distribution Adjustment Charge will occur through the Division’s efforts to review invoices and costs included “above the line” in the Company’s calculation.

**New England Gas Company
Docket No. 3690**

Record Request and Response

Requestor: Commission
Respondent: Peter Czekanski
Issue Date: October 25, 2005

- Q. COMM RR-3 Please state categorically whether there are any mercury costs related to the Tidewater spill in the costs being recovered through the ERC.**
- A. COMM RR-3** The Company has confirmed through internal review that costs recovered for mercury removal through the ERC since its inception (as part of ERI I in 1997) relate only to the cost of removal of equipment from customer premises and disposal of materials off-site of Company property.